

## Message Text

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PAGE 01 ISLAMA 06619 101900Z  
ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 COME-00 AID-05 CIAE-00  
DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05  
PA-01 SP-02 SS-15 ICA-11 TRSE-00 OMB-01 /078 W  
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R 100955Z JUL 78  
FM AMEMBASSY ISLAMABAD  
TO SECSTATE WASHDC 8029

C O N F I D E N T I A L ISLAMABAD 6619

FOL TEL SENT ACTION ISLAMABAD INFO LAHORE FROM KARACHI 09 JUL 78  
IS RPT

QTE  
C O N F I D E N T I A L KARACHI 3252

E.O. 11652: GDS  
TAGS: EGEN, PK  
SUBJ: CMLA SPEECH TO KARACHI COTTON ASSOCIATION

REF: ISLAMABAD 6213

1. PRESS REPORTS OF GENERAL ZIA'S MEETING WITH THE  
KARACHI COTTON ASSOCIATION ON JULY 7 ARE ACCURATE IN  
THE MAIN BUT DO NOT FULLY CONVEY THE SEEMING SIGNIFI-  
CANCE OF HIS SPEECH AS A POLICY STATEMENT. IN HIS  
SPEECH HE COMMITTED HIMSELF MORE EXPLICITLY TO PRIVATE  
ENTERPRISE THAN THE NEWS STORIES INDICATE. HE DECLARED  
THAT AN "OPEN" ECONOMY WAS LAID DOWN FOR ISLAMIC  
SOCIETIES BY THE PROPHET (PBUH) AND THEREFORE  
ISLAMIC PAKISTAN SHOULD HAVE AN "OPEN"ECONOMY. THERE  
SHOULD BE EQUAL OPPORTUNITY FOR ALL AND GOVERNMENT'S  
ROLE SHOULD BE THAT OF "MONITOR."

2. IN THE CONTEXT IT WAS CLEAR THAT THE TERM "OPEN"  
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MEANT PRIVATE ENTERPRISE OR AT ANY RATE THE OPPOSITE  
OF SOCIALISTIC. GENERAL ZIA RELATED WITH INDIGNATION  
THE EFFORTS OF THE PREVIOUS GOVERNMENT TO ESTABLISH A  
SOCIALISTIC STATE IN PAKISTAN. HE SAID HE COULD ONLY  
CONCLUDE THAT THE BHUTTO ADMINISTRATION HAD CONSPIRA-  
TORIALLY SOUGHT, THROUGH ITS NATIONALIZATIONS AND ITS  
FAILURE TO SUCCOR THE TEXTILE INDUSTRY, TO CREATE THE

ECONOMIC CHAOS WHICH WOULD ENABLE THEM TO LAUNCH SOCIALISM IN THE COUNTRY. THE GENERAL REFERRED TO CHOU EN LAI'S SUPPOSED ADVICE (TIMING UNCLEAR) TO BHUTTO TO GO SLOW WITH HIS PLANS TO SOCIALIZE PAKISTAN BECAUSE SOCIALISM WAS NOT A SYSTEM CONGENIAL TO THE PAKISTANI TEMPERAMENT, AND HE CITED A CABINET MEETING OF APRIL 1977 WHERE BHUTTO WAS QUOTED AS BAWLING OUT SHEIKH RASHID FOR TAKING SOME SOCIALISTIC STEP (PRESUMABLY NATIONALIZATION OF THE COTTON GINS) "TOO SOON."

3. THE SPEECH WAS NOT AS DISORDERED AS THE FOREGOING DESCRIPTION MAY SUGGEST. ON THE CONTRARY IT WAS AN IMPRESSIVELY EARNEST, FORCEFUL AND COHERENT PERFORMANCE. THE CMLA STARTED IN URDU BUT SOON SWITCHED TO ENGLISH TO ENSURE THE FULLEST POSSIBLE UNDERSTANDING BY THOSE PRESENT. HE HAD NOTES BUT REFERRED TO THEM SPARINGLY. THE RESULTING SPONTANEITY OF EXPRESSION AND EYE CONTACT WITH HIS AUDIENCE ENHANCED THE IMPACT OF THE SPEECH. THE FEW INEVITABLE SLIPS AND IRRELEVANCIES WERE EASILY OVERLOOKED AS HE SPOKE WITH CONFIDENCE AND CONVICTION, AND OF COURSE HIS REMARKS WERE HEARTILY WELCOMED BY THE BLUE RIBBON AUDIENCE OF KARACHI BUSINESS LEADERS. THEY ALSO ENTHUSIASTICALLY APPLAUDED CABINET MINISTERS GOKAL AND GENERAL HABIBULLAH, WHOM THE CMLA PRAISED FOR THEIR CAPABILITIES AND SELFLESSNESS, AND FINANCE ADVISER KAZI WHOM HE UNEXPECTEDLY CALLED CONFIDENTIAL

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FORWARD AND INTRODUCED AS THE NEW GOVERNOR OF THE STATE BANK.

4. ADDRESSING HIMSELF SPECIFICALLY TO THE IMMEDIATE CONCERN OF THE COTTON ASSOCIATION, GENERAL ZIA SAID THAT THE PRIVATE SECTOR WOULD BE READMITTED TO PARTICIPATION IN THE COTTON TRADE AND THAT HE LOOKED FORWARD TO THE EARLY RECONVERSION OF THE HALL IN WHICH HE SPOKE TO THE TRADING FLOOR IT HAD ONCE BEEN. IT BECAME APPARENT AS HE SPOKE, HOWEVER, THAT IMPORTANT DETAILS REMAIN TO BE WORKED OUT, SINCE THE BLUEPRINT WHICH HAD BEEN PRESENTED TO HIM BY THE ASSOCIATION (AT HIS REQUEST) IS STILL UNDER GOVERNMENTAL STUDY. AMONG OTHER THINGS IT IS UNCERTAIN WHETHER PRIVATE TRADERS WILL HAVE TIME TO GET INTO THE ACT IN THE CURRENT CROP YEAR, THOUGH AN OFFICIAL OF THE COTTON ASSOCIATION TOLD ME PRIVATELY THAT THE CMLA HAD GIVEN THE GREEN LIGHT INFORMALLY.

5. ANOTHER ISSUE WHICH APPEARS TO BE UNRESOLVED IS THAT OF PRICES TO GROWERS. IN HIS WELCOMING ADDRESS THE PRESIDENT OF THE ASSOCIATION ACCEPTED THE NEED TO MAINTAIN THE FIXED PRICE OF 138 RUPEES PER MAUND OF PHUTTI

FOR THE UPCOMING CROP, BUT IT IS EVIDENT THAT TRADERS THINK PRICES SHOULD BE DETERMINED BY SUPPLY AND DEMAND IN FUTURE YEARS. THE GENERAL ALSO HONORED SUPPLY AND DEMAND IN PRINCIPLE, BUT LEFT SOME DOUBT THAT HE IS PREPARED TO ABANDON FIXED PRICES TO THE FARMER ALTOGETHER. MORE BROADLY, IN AGREEING THAT THE PRIVATE SECTOR SHOULD BE ALLOWED TO TAKE PART IN THE COTTON TRADE HE CITED THREE CONDITIONS THAT HE WOULD ENFORCE: (A) A FAIR SHAKE FOR THE GROWERS; (B) AN ASSURED SUPPLY OF COTTON FOR THE DOMESTIC TEXTILE INDUSTRY; (C) MAINTENANCE OF QUALITY STANDARDS AND ETHICAL BUSINESS PRACTICES IN THE TRADE. IT WAS APPARENT FROM HIS REMARKS AT THIS POINT THAT HE IS AWARE OF COMPLAINTS THAT THE PRIVATE GINNERS HAVE NOT BEEN PAYING FARMERS PROMPTLY AND OF ACCUSATIONS BY SOME

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COMMENTATORS THAT PAKISTAN ACQUIRED A REPUTATION FOR SHARP PRACTICE IN THE INTERNATIONAL COTTON TRADE WHEN THE BUSINESS WAS IN THE HANDS OF PRIVATE TRADERS.

6. NO CONGEN OFFICER WAS PRESENT DURING THE CMLA'S SPEECH TO THE STAFF OF THE COTTON EXPORT CORPORATION (CEC), BUT TRADE SOURCES CONFIRM THE THRUST OF THE PRESS REPORTS ON THAT SESSION. MOST OBSERVERS FORESEE A PERIOD OF CONSIDERABLE CONFUSION AS A FORMULA TO CONVERT THE CEC INTO JUST ANOTHER, UNPRIVILEGED (THOUGH STILL PUBLIC SECTOR) COMPETITOR AMONG COTTON TRADING FIRMS IS WORKED OUT. PRIVATE BUSINESSMEN ARE CONFIDENT THAT THE CEC WILL GRADUALLY WITHER AWAY IN THE FACE OF COMPETITION SINCE IT IS AN ARTICLE OF FAITH WITH THEM THAT THE CEC IS INHERENTLY INEFFICIENT AND TOO SLOW ON ITS FEET TO COMPETE.

MOORE

UNQTE HUMMEL

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01 jan 1960  
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